



# **Protective Life Corporation**

3Q13 Earnings Results

Conference Call Presentation

October 31, 2013

# Introduction

*In addition to the information contained in this presentation, we have certain supplemental financial information available on our website [www.protective.com](http://www.protective.com). Also, this presentation and the accompanying conference call discussions include forward-looking statements which express expectations of future events and/or results. Actual events and results may differ materially from these expectations.*

*Please refer to our press release and Risk Factors and Cautionary Factors that may Affect Future Results, found in Part I, Item 1A of the Company's most recent report on Form 10-K and Part II, Item 1A of the Company's subsequent reports on Form 10-Q for more information about these factors.*

*Certain information may also contain non-GAAP financial measures. For information relating to non-GAAP measures (operating income, shareowners' equity per share excluding other comprehensive income (loss), operating return on average equity, and net income (loss) return on average equity) in this presentation, please refer to the Information About Non-GAAP Financial Measures available on the earnings page of the Investor Relations section of our website [www.protective.com](http://www.protective.com). All per share results used throughout this presentation are presented on a diluted basis, unless otherwise noted. Please see our website for additional information and reconciliation to GAAP financial measures.*

*This presentation and accompanying webcast are not intended as, and should not be construed as, earnings guidance. This presentation is dated October 31, 2013. We assume no obligation to, and do not intend to update the information contained herein after such date.*

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## 3Q13 Financial Highlights

- Net income of \$93 million, or \$1.15 per share
  - 58% increase in net income per share over 3Q12
- Operating earnings of \$80 million, or \$0.98 per share
  - 29% increase in operating earnings per share over 3Q12
- Record Annuity earnings
- Closed MONY acquisition on October 1

# Earnings Per Share Review – Consolidated Results

(\$ per diluted share)

	<u>3Q13</u>	<u>YTD 2013</u>
<b>Operating Income</b>	\$ 0.98	\$ 2.82
Realized investment gains (losses) and related amortization		
Investments	(0.29)	(1.33)
Derivatives	0.46	1.90
Net realized investment gains	<u>0.17</u>	<u>0.57</u>
<b>Net Income available to PLC's common shareowners</b>	<u><u>\$ 1.15</u></u>	<u><u>\$ 3.39</u></u>

(\$ in millions; net of income tax)

<b>After-tax Operating Income</b>	\$ 79.5	\$ 228.7
Realized investment gains (losses) and related amortization		
Investments	(23.5)	(107.4)
Derivatives	37.1	153.3
Net realized investment gains	<u>13.6</u>	<u>45.9</u>
<b>Net Income available to PLC's common shareowners</b>	<u><u>\$ 93.1</u></u>	<u><u>\$ 274.6</u></u>

## Net Realized Investment/Derivative Gain/Loss

	Per Share	
	3Q13	YTD 2013
Net realized gain on securities	\$ 0.08	\$ 0.36
Modco net realized gain	0.02	0.18
Impairments	(0.07)	(0.14)
Derivatives related to VA contracts	0.17	0.25
Mortgage/real estate losses	<u>(0.03)</u>	<u>(0.08)</u>
Net realized investment/derivative gain/(loss)	<u>\$ 0.17</u>	<u>\$ 0.57</u>

# Reconciliation of PLC's Shareowners' Equity Per Share

(\$ per common share outstanding)	Sept 30, 2013	Dec 31, 2012
Total PLC's shareowners' equity	\$ 46.31	\$ 59.06
Less: Accumulated other comprehensive income	6.69	22.22
<b>Total PLC's shareowners' equity excluding accumulated other comprehensive income</b>	<b><u>\$ 39.62</u></b>	<b><u>\$ 36.84</u></b>

## Unrealized Gains (Losses) on Investments

(\$ in millions)	Sept 30, 2013	Dec 31, 2012
Gross unrealized gains	\$ 1,795	\$ 3,250
Gross unrealized (losses)	(521)	(141)
<b>Net unrealized gains before tax &amp; DAC</b>	<b><u>\$ 1,274</u></b>	<b><u>\$ 3,109</u></b>

# Life Marketing Highlights

- Favorable prospective unlocking of \$2.4 million
- 3Q13 mortality \$1.6 million favorable vs. plan

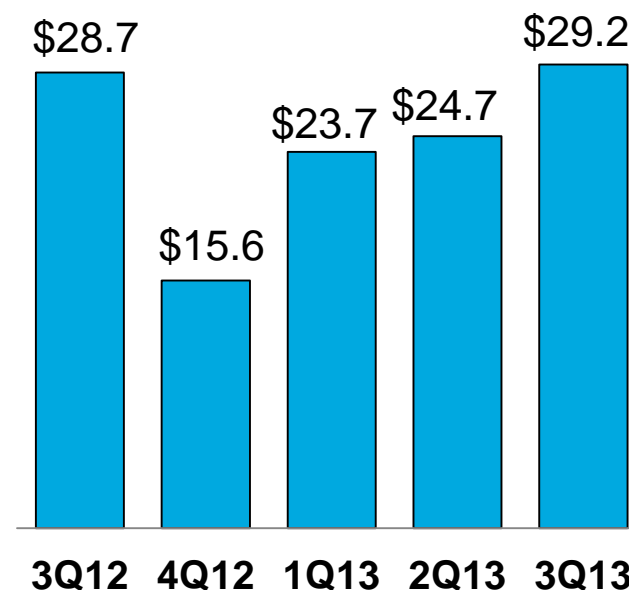
## Sales

\$ in millions



## Pre-tax Operating Earnings

\$ in millions



# Annuities

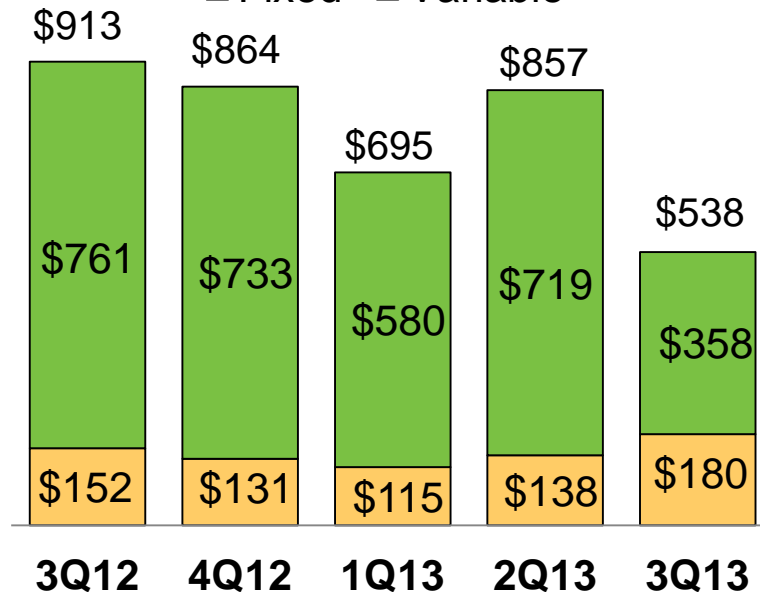
## Highlights

- Record earnings in 3Q13
- Continued strong VA fee income resulting in favorable unlocking of \$4.9 million
- Account balance up 17% from 3Q12

## Sales

\$ in millions

Fixed Variable

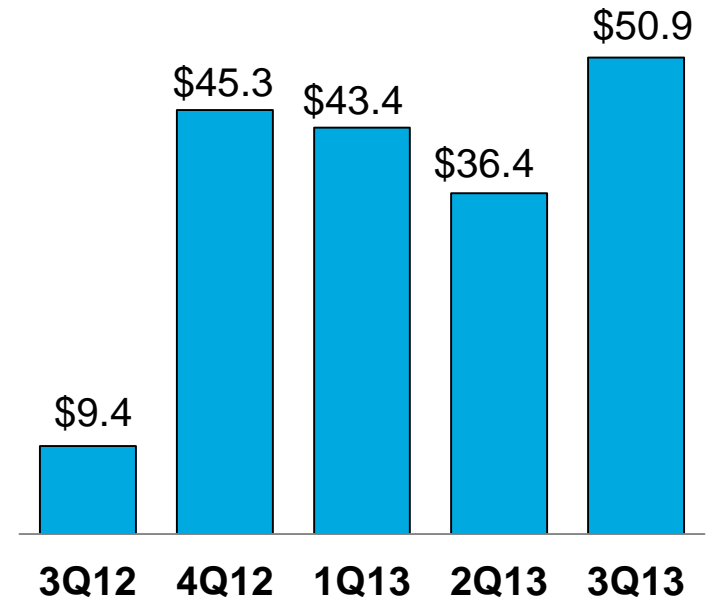


Account Balance  
\$ in billions

Quarter	3Q12	4Q12	1Q13	2Q13	3Q13
Account Balance (\$ in billions)	\$16.8	\$17.5	\$18.4	\$18.9	\$19.6

## Pre-tax Operating Earnings

\$ in millions





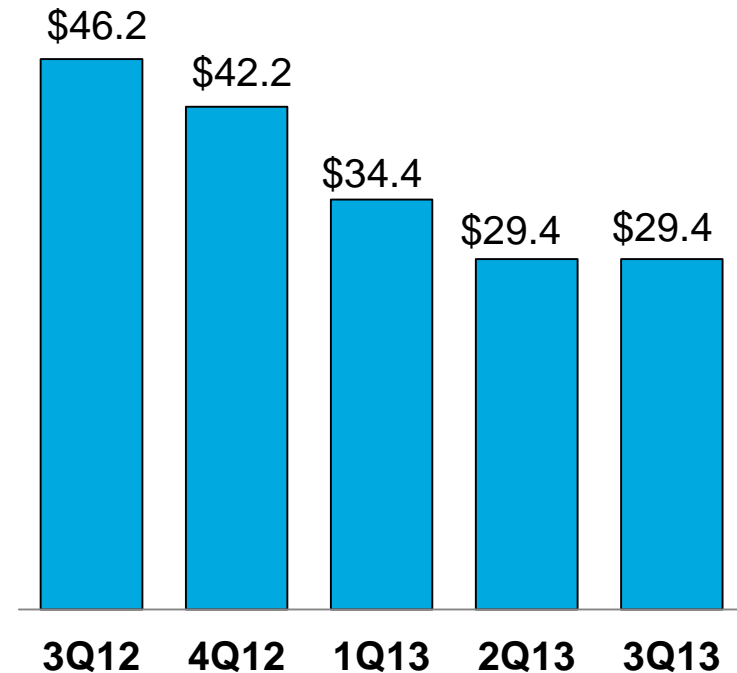
# Acquisitions

## Highlights

- Unfavorable prospective unlocking of \$4.2 million
- Lower net investment income due to impact of securitization
- UILIC and Liberty inception-to-date results ahead of pricing

### Pre-tax Operating Earnings

\$ in millions

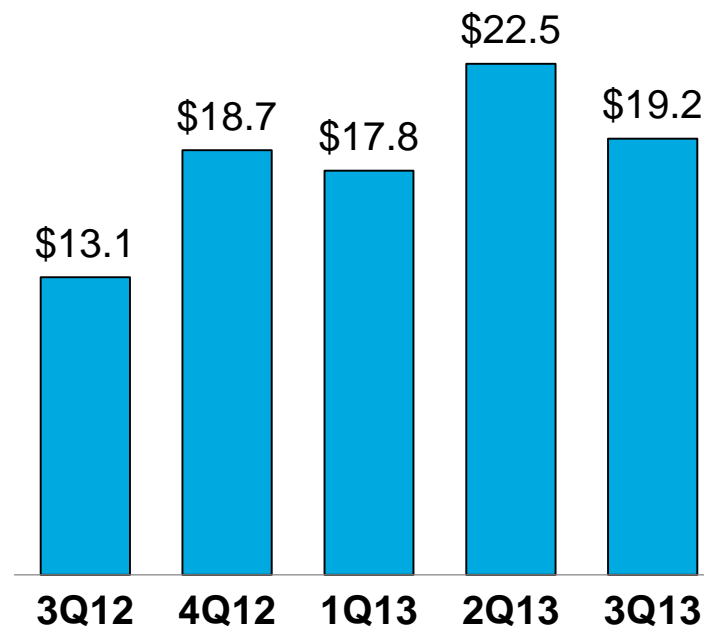


# Stable Value Products

## Highlights

- Continued strong spreads
- Sales of \$80 million
- Participating income of \$2.4 million

## Pre-tax Operating Earnings \$ in millions



## Account Balances \$ in millions



	3Q12	4Q12	1Q13	2Q13	3Q13
Spread	2.01%	3.06%	2.81%	3.53%	3.07%
Adjusted Spread*	2.00%	2.60%	2.55%	2.67%	2.69%

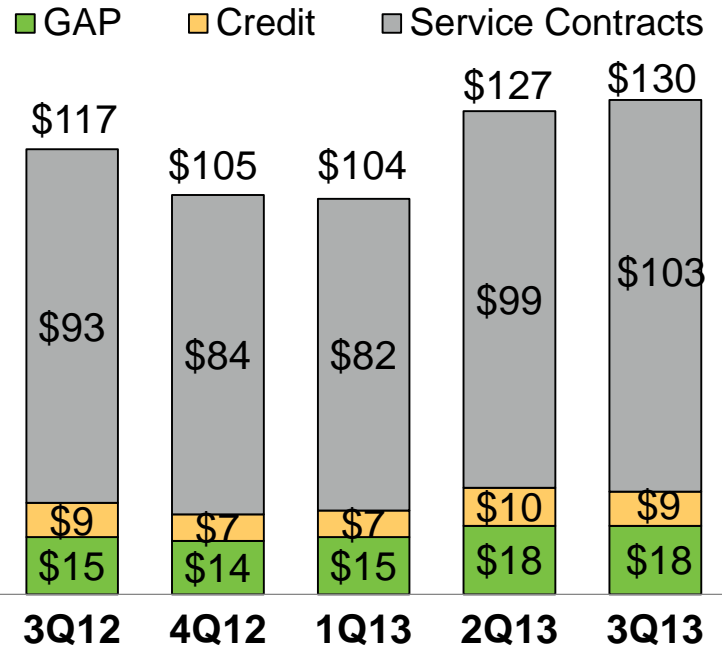
\*Excludes participating mortgage loan/bank loan fee income

# Asset Protection Division

- Highlights**
- Strong sales - up 11% vs. 3Q12
  - Favorable impact of lower expenses

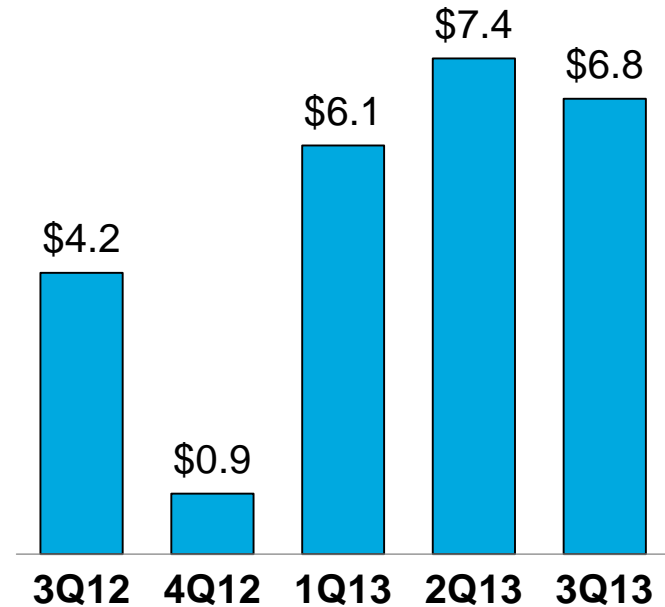
## Sales

\$ in millions



## Pre-tax Operating Earnings

\$ in millions



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## Summary

- Our capital position is strong
  - Estimated RBC above 550%
- Closed MONY transaction on October 1
  - Will be accretive to earnings in 4Q13
- We are on track to deliver our 2013 financial plan

**Protective Life Corporation 2013 Annual Investor Conference**

December 5, 2013 in New York, NY

Call Eva Robertson at 205-268-3912 for information

# Forward Looking Statements

*This presentation includes “forward-looking statements” which express expectations of future events and/or results. All statements based on future expectations rather than on historical facts are forward-looking statements that involve a number of risks and uncertainties, and the Company cannot give assurance that such statements will prove to be correct. The factors which could affect the Company’s future results include, but are not limited to, general economic conditions and the following known risks and uncertainties: (1) we are exposed to the risks of natural and man-made catastrophes, pandemics, malicious acts, terrorist acts, and climate change; (2) our strategies for mitigating risks arising from our day-to-day operations may prove ineffective; (3) we operate in a mature, highly competitive industry, which could limit our ability to gain or maintain our position in the industry and negatively affect profitability; (4) we operate as a holding company and depend on the ability of our subsidiaries to transfer funds to us to meet our obligations and pay dividends; (5) the policy claims of our insurance subsidiaries may fluctuate from period to period resulting in earnings volatility; (6) we may be adversely affected by a ratings downgrade or other negative action by a ratings organization; (7) our results may be negatively affected should actual experience differ from management’s assumptions and estimates, which by their nature are imprecise and subject to changes and revisions over time; (8) our financial condition and results of operations could be adversely affected if our assumptions regarding the fair value and future performance of our investments differ from actual experience; (9) our use of reinsurance introduces variability in our statements of income; (10) we could be forced to sell investments at a loss to cover policyholder withdrawals; (11) interest rate fluctuations and sustained periods of low interest rates could negatively affect our interest earnings and spread income, or otherwise impact our business; (12) equity market volatility could negatively impact our business; (13) our use of derivative financial instruments within our risk management strategy may not be effective or sufficient; (14) we are highly regulated and subject to numerous legal restrictions; (15) changes in tax law or interpretations of existing tax law could adversely affect us; (16) we may be required to establish a valuation allowance against our deferred tax assets; (17) we, like other financial services companies, in the ordinary course of business, are frequently the targets of litigation, including class action litigation, which could result in substantial judgments; (18) we, as a publicly held company generally, and a participant in the financial services industry in particular, may be the target of law enforcement investigations and the focus of increased regulatory scrutiny; (19) our ability to maintain competitive unit costs is dependent upon the level of new sales and persistency of existing business; (20) our investments are subject to market and credit risks and these risks could be heightened during periods of extreme volatility or disruption in financial and credit markets; (21) we may not realize our anticipated financial results from our acquisition strategy; (22) we are dependent upon the performance of others; (23) our reinsurers could fail to meet assumed obligations, increase rates, or otherwise be subject to adverse developments; (24) the occurrence of computer viruses, information security breaches, disasters, or unanticipated events could affect the data processing systems of the Company, its business partners or service providers and could damage the Company’s business and adversely affect its financial condition and results of operations; (25) a disruption affecting the electronic systems of the Company or those on whom the Company relies could adversely affect our business, financial condition and results of operations; (26) confidential information maintained in the Company’s systems could be compromised or misappropriated, damaging the Company’s business and reputation and adversely affecting its financial condition and results of operations; (27) our ability to grow depends in large part upon the continued availability of capital; (28) new accounting rules or changes to existing accounting rules could impact our reported earnings; (29) our risk management policies, practices, and procedures could leave us exposed to unidentified or unanticipated risks; (30) credit market volatility or disruption could adversely impact us; (31) disruption of the capital and credit markets could negatively affect the Company’s ability to meet its liquidity and financing needs; (32) difficult general economic conditions could materially adversely affect our business and results of operations; (33) we may not be able to protect our intellectual property and may be subject to infringement claims; (34) we could be adversely affected by an inability to access our credit facility; (35) the Company may not be able to achieve the expected results from its recent acquisition; (36) the Company could be adversely affected by an inability to access FHLB lending; and (37) the amount of statutory capital we have and must hold to maintain our financial strength and credit ratings and meet other requirements can vary significantly and is sensitive to a number of factors beyond our control. Please refer to Risk Factors and Cautionary Factors that may Affect Future Results, which can be found in Part I, Item 1A of the Company’s most recent report on Form 10-K and Part II, Item 1A of the Company’s most recent report on Form 10-Q for more information about these factors.*



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